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ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT

PROPOSED RULE: #04-0095 **DATE PREPARED:** Aug 9, 2004
STATE AGENCY: IN Prescription Drug Program - Hoosier Rx **DATE RECEIVED:** Jun 25, 2004

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Digest of Proposed Rule: HEA 1251-2004 required the Prescription Drug Advisory Committee to make program design recommendations regarding the coordination between the Indiana Prescription Drug Program and the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003. As a result, the Indiana Prescription Drug Program, also known as HoosierRx, is proposing the amendment of provisions concerning the structure of the benefit and the duration of eligibility. The rule also amends the definition of eligibility to clarify that the use of Medicare discount cards does not fall within the definition of prescription drug insurance programs. The amendments are intended to allow HoosierRx enrollees to use both the state and federal program discount cards with the intent of maximizing the enrollees' savings at the point of sale. The rule was adopted on an emergency basis and implemented on June 1, 2004.

Governmental Entities: *State Impact:* The rule revises the structure of the HoosierRx benefit as follows.

(1) The rule excludes the Medicare drug discount card and the related annual transitional assistance credit ($600) from the definition of "insurance that includes a prescription drug benefit. This previously would have disqualified an individual from the HoosierRx program. The annual transitional assistance credit should be available to many of the HoosierRx participants because the federal income standard for the credit is 135% of the federal poverty level (FPL), the same as income standard set for HoosierRx. An unknown number of the HoosierRx participants may be ineligible for the transitional credit due to asset limitations for eligibility for the federal benefit (HoosierRx eligibility only includes income criteria and does not consider an applicant's assets as an eligibility standard). The revised rule encourages providers to promote the use of the Medicare benefit prior to the use of the HoosierRx benefit.

(2) The rule provides that all current enrollees in the HoosierRx program shall be automatically enrolled in the new benefit period beginning on June 1, 2004. No application renewal process will be required for those persons already enrolled in HoosierRx. The rule further provides for a period of continuous eligibility through December of 2005. (The next phase of the Medicare prescription drug program with expanded benefits becomes effective in January of 2006.)

(3) The rule updates the net monthly income limitation to reflect the 2004 federal poverty level. These change annually (i.e., the income percentage of 135% of FPL remains the same, however, the dollar amount is revised).

(4) The rule also revises the amount of the income-based benefit from the $500, $750, and $1,000 annual

amounts to a maximum of $1,200 over a period of 19 months, to be prorated depending upon the time of enrollment. Essentially, the HoosierRx benefit will pay up to $200 each quarter per individual.

(5) The rule revises the cost share assigned to the HoosierRx participants from 50% to 25%. HoosierRx will pay 75% of the Medicaid cost of prescription drugs up to the individual's maximum limit, and the individual will pay 25% of the cost up to the maximum limit.

State Fiscal Impact: The State Budget Agency (SBA) has estimated that the Indiana Prescription Drug Program has approximately $14 M available from prior years' appropriations and an additional $8 M appropriation from FY 2005. Thus, total resources available for the benefit expansion are reported to be about $22 M through December 2005. These funds are appropriated from the Tobacco Master Settlement Agreement funds. This conservatively assumes that there will be no additional appropriation for this expanded benefit period for state FY 2006. Using FY 2003 program utilization rates and a 50% expansion of the eligible population from the currently enrolled 20,000 participants to 30,000 participants, the SBA estimates administrative and benefit costs of approximately $22 M through December of 2005.

The SBA estimates appear to be conservative, particularly with regard to the expansion of the enrolled population to 30,000 participants. The population eligible at 135% of FPL has been previously estimated to be 30,000, but the program has yet to achieve that level of participation. Increased media coverage regarding prescription drug coverage due to the Medicare expansions may result in increased applications. However, the extent to which this will result in additional participants in HoosierRx is unknown.

Local Fiscal Impact: The expansion of Medicare and HoosierRx benefits for the low-income elderly may result in savings to the township Poor Relief system if the trustees require applicants for medical assistance to apply for Medicare prescription drug discount cards and the HoosierRx program. The extent to which the benefit expansions may provide fiscal relief to townships is unknown.

Regulated Entities: Pharmacy providers are regulated entities, however, participation in the Indiana Prescription Drug Program is voluntary. Each provider signs a provider agreement electing to participate in the program at which time they agree to abide by the rules of the program.

Information Sources: Grace Chandler, Prescription Drug Program - HoosierRx, and Mike Fowler, Budget Analyst, State Budget Agency.